



OFFICE OF LEGISLATIVE AUDITOR
Fiscal Note

Fiscal Note On: **SB 367** SLS 10RS 281

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 7, 2010	2:12 PM	Author: MICHOT
Dept./Agy.: Certain Political Subdivisions		
Subject: Use of Reverse Auctions		Analyst: Michael Cragin

PROCUREMENT CODE

EG DECREASE GF EX See Note

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Authorizes the use of reverse auctions by certain public entities. (7/1/10)

Purpose of Bill: Provides for use of a “reverse auction”--a competitive online solicitation process on the Internet in which vendors compete online in an open, interactive, real time environment to provide one or more of the following: materials, supplies, services, products, or equipment. Entities following **Public Bid Law** may conduct reverse auctions for materials, supplies, or equipment, if their procurement officer finds this to be in their best interest. Each political subdivision may establish policies and procedures for: vendor registration and pre-qualification; solicitation opening and closing date and time; whether bidders’ identities are not to be revealed during bidding; electronic bid posting; the agency’s right to cancel the solicitation; and criteria for making the award. Entities following the **La. Procurement Code** may conduct reverse auctions for materials, supplies, services, products, or equipment, but only with the approval of the state purchasing director and the using agency. The state director of purchasing shall develop related policies in accordance with the Administrative Procedure Act.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There may be a decrease in any of the expenditure categories listed above as a result of this measure.

Reverse auctions can lower spending by persuading suppliers to competitively bid prices for materials, supplies, and equipment downward. Contacts tell us that lower expenditures are possible, but cannot be guaranteed by reverse auctions. Success depends on a number of factors including the policies and procedures instituted to safeguard the interactive online process.

The Director of State purchasing estimates based on an analysis of reverse auctions in Pennsylvania that use of reverse auctions could save Louisiana state agencies over \$4,375,000 annually. The decrease in expenditures could occur for any programs, state or federal, that use items or services obtained through reverse auctions.

Local government purchasing directors contacted agreed that a reduction of expenditures was possible but were not able to provide specific estimates.

REVENUE EXPLANATION

This bill should have no impact on state or local fund revenues.